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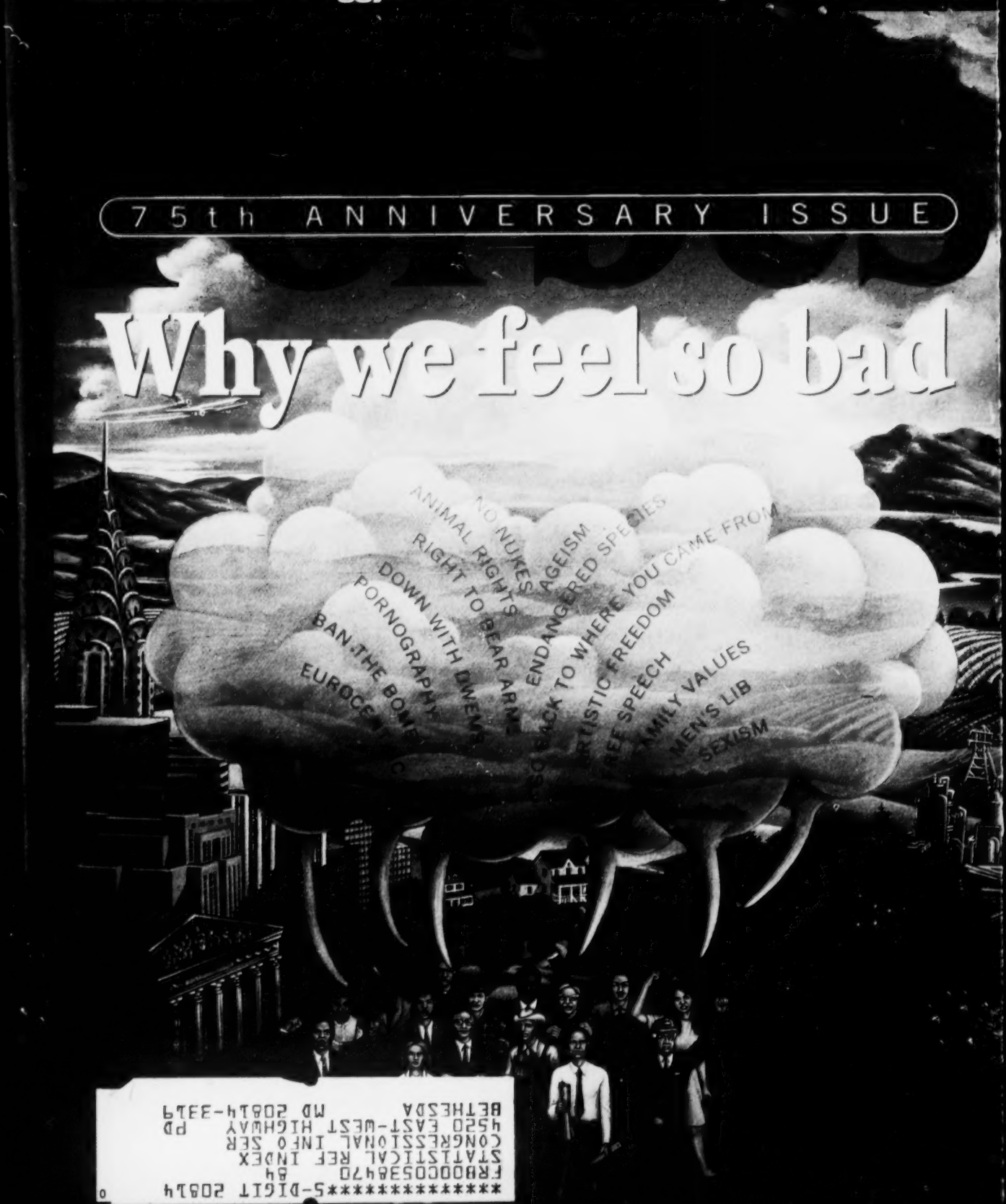
Articles by: John Ashbery • Saul Bellow • Henry Louis Gates Jr.
Alfred Kazin • Peggy Noonan • Dick Schaap • Simon Schama

75th ANNIVERSARY ISSUE

Why we feel so bad



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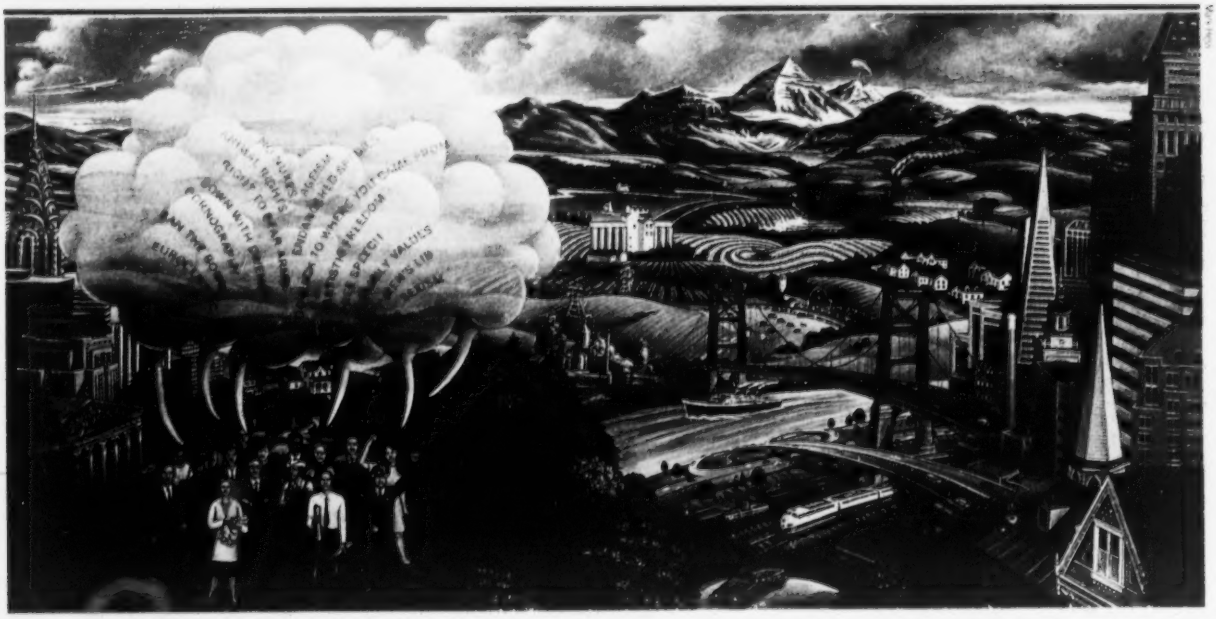

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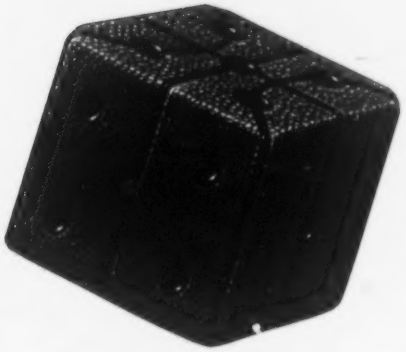

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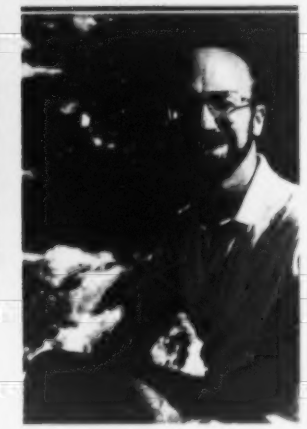

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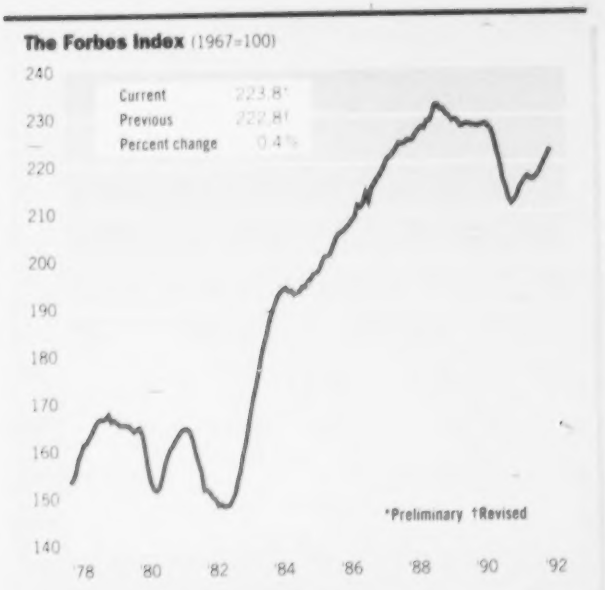


The Forbes Index hasn't suffered a decline since last November's 0.3% loss. Although the current inflation and interest-rate environment is quite accommodating, tangible evidence of an economic pickup remains elusive. Industrial production is back to where it was in March 1990, while the 12-month total of new housing starts through July is 12% below the July 1990 level.

Note: The government recently revised historical data on some economic indicators. As a result, we have replotted most of the graphs that appear on this page.

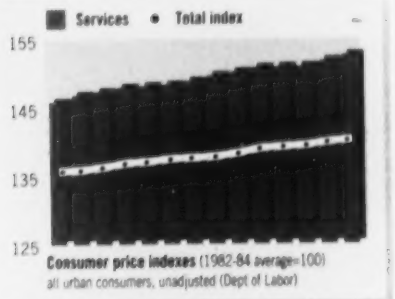
Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	6.0%
Auto sales year to date vs 1991[1]	Ward's Automotive	1.1%
Index of leading indicators June vs May	Dept of Commerce	-0.2%
Trade balance 12 months ended June1992	Dept of Commerce	-$70bil
All-commodity producer price index July vs June[2]	Dept of Labor	0.0%
GDP 2nd quarter vs 1st—annualized growth	Dept of Commerce	1.4%
M2 (3-month change)—annualized growth[3]	Federal Reserve	-1.4%

[1] U.S.-based manufacturers, excludes imports, as of 8/10/92. [2] Wholesale goods. [3] Includes M1 (public currency and checking deposits) plus savings accounts and money market funds.

Index components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: The cost of services relative to all consumer prices; the level of new orders for durable goods compared with manufacturers' inventories; total industrial production; new housing starts; personal income; new claims for unemployment compensation; total retail sales; total consumer installment credit.

To measure these 8 elements, Forbes monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.

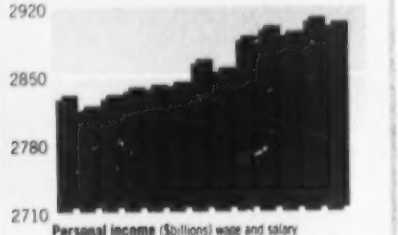


Consumer price indexes (1982-84 average=100) all urban consumers, unadjusted (Dept of Labor)

Manufacturers' new orders and inventories ($billions), seasonally adjusted (Dept of Commerce)

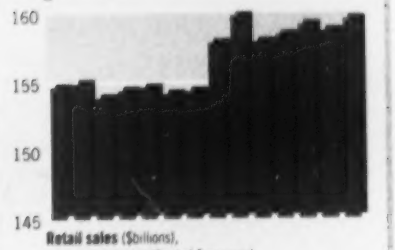
Industrial production index (1987=100) seasonally adjusted (Federal Reserve)

New housing starts (thousands) privately owned, unadjusted (Dept of Commerce)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept of Commerce)

New unemployment claims average for month (thousands), seasonally adjusted (Dept of Labor)



Retail sales ($billions), seasonally adjusted (Dept of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

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Here's how a hypothetical $1,000 investment in each of the largest firms of 1917 would have fared. We excluded cash dividends, and assumed proceeds from cash buyouts and liquidations were reinvested in the S&P 500.

The top industrials of 1917

By Peter Newcomb

Rank	Company/current name	Return on $1,000 invested	Notes
1	**Associated Oil**	$807,176	Based on Tidewater Oil, Getty Oil shares received in 1929, 1967 mergers.
2	**RJ Reynolds Tobacco**/RJR Nabisco	449,260	Taken private 1989.
3	**General Electric**	281,075	Includes distributions of Electric Bond & Share, RCA and Boise Cascade.
4	**Gulf Oil**	248,880	Includes Texas Gulf Sulphur distribution 1948. Based on Chevron shares.
5	**Mexican Petroleum**	233,602	Acquired by Pan American Petroleum and Transport 1919.
6	**Procter & Gamble**	209,824	Initial stock price based on 1917 average.
7	**El du Pont de Nemours**	172,935	Includes value of 6 distributions of General Motors stock.
8	**Standard Oil of New Jersey**/Exxon	162,955	
9	**Vacuum Oil**	161,352	Based on Mobil Oil shares when merged with Standard Oil of New York 1931.
10	**Eastman Kodak**	148,283	
11	**International Paper**	136,553	
12	**Atlantic Refining**/Atlantic Richfield	130,171	Name changed 1966.
13	**National Biscuit**/RJR Nabisco	127,167	Investment assumes acceptance of 1985 cash offer from RJ Reynolds.
14	**General Motors**	113,143	Includes value of distributions of Class E and Class H shares.
15	**Ford Motor**	109,847	Investment based on values ascertained by Dodge brothers buyout 1917.
16	**Standard Oil of Indiana**/Amoco	102,424	Includes distributions of Exxon; name changed 1985.
17	**Ohio Oil**/Marathon	94,246	Name changed 1962; shares bought for cash by US Steel 1982.
18	**American Tobacco**/American Brands	87,070	Includes Mobil shares received 1921; name changed 1969.
19	**Sears, Roebuck**	85,953	
20	**Aluminum Co of America**	72,014	Investment started 1918; includes distributions of Alcan, Niagara Mohawk.
21	**Union Oil of California**/Unocal	71,355	Includes distribution of Union Exploration Partners units 1985.
22	**Deere & Co**	68,985	Investment started 1927.
23	**American Can**/Primerica	68,183	Name changed 1987.
24	**Standard Oil of California**/Chevron	66,070	Name changed 1984.
25	**Utah Copper**	63,003	Kennecott shares received in 1923 merger; bought by Standard Oil of Ohio 1981.
26	**FW Woolworth**	59,867	
27	**Union Carbide & Carbon**/Union Carbide	54,829	Initial stock price based on December 1917 average.
28	**Cities Service**	53,363	Based on Occidental Petroleum preferred shares received in 1982 merger.
29	**US Smelting Refining & Mining**	52,207	Assumes cash value of Alaska Gold distribution 1975; company liquidated 1979.
30	**Corn Products**/CPC International	50,106	Includes Allied Mills stock received in distribution 1936; name cnanged 1969.
31	**National Bank of Commerce**	50,071	Based on Guaranty Trust shares received in 1929 merger.
32	**Texas Co**/Texaco	47,844	Name changed 1959.
33	**Swift & Co**	47,369	Based on Esmark shares when merged 1973; bought by Beatrice Foods 1984.
34	**International Nickel**/Inco	41,281	Based on Class A stock when common stock reclassified 1974.
35	**Standard Oil of New York**/Mobil	39,147	Name changed 1966.
36	**Westinghouse Electric**	38,664	RCA stock received in distribution; bought for cash by GE 1986.
37	**Kennecott Copper**	38,267	Received cash upon 1981 buyout by Standard Oil of Ohio.
38	**Magnolia Petroleum**	36,962	Investment started 1918.
39	**Pullman**	32,122	Includes distributions of Pullman Transportation, Henley Group.
40	**Pacific Gas & Electric**	29,366	

The giants of 1917

Rank	Company/current name	Return on $1,000 invested	Notes
41	**Guaranty Trust**	$28,500	Based on Morgan Guaranty shares in 1959 merger; bought by JP Morgan 1969.
42	**American Car & Foundry**/ACF Industries	27,861	Name changed 1954; received cash upon 1984 leveraged buyout.
43	**National Lead**/NL Industries	25,640	Name changed 1971.
44	**Goodyear Tire & Rubber**	24,442	Initial stock price based on 1917 average.
45	**Virginia Carolina Chemical**	22,993	Based on Mobil Oil shares received in exchange when merged 1963.
46	**General Chemical**	22,629	Original investment in General Chemical; consolidated to form Allied Chemical 1920.
47	**Atchison, Topeka & Santa Fe RR**	21,120	Merged into Santa Fe Industries 1970, Santa Fe Southern Pacific 1983.
48	**P Lorillard**	21,120	Based on cash value of warrants, debentures received on Loew's merger 1968.
49	**American Woolen**	21,009	Based on Textron shares received when merged 1955.
50	**United Shoe Machinery**	20,792	Based on Emhart shares received in exchange when acquired 1976.
51	**American Sugar**/Amstar	18,608	Name changed 1970; bought for cash by Kohlberg Kravis Roberts 1984.
52	**Ohio Cities Gas**/Pure Oil	17,187	Name changed 1920; merged into Unocal 1965.
53	**Liggett & Myers**	16,832	Received cash for shares when bought by Grand Metropolitan 1980.
54	**United Fruit**/Chiquita Brands	15,895	Based on United Brands stock received 1970; name changed 1990.
55	**Prairie Oil & Gas**	15,550	Based on Sinclair Oil shares received when merged with Consolidated Oil 1932.
56	**Jones & Laughlin**	15,536	Investment started 1933; shares bought for cash 1974 by LTV.
57	**Atlantic Gulf & West Indies SS Lines**	15,512	Based on 1953 cash value of liquidation rights.
58	**Southern California Edison**/SCEcorp	15,472	Name changed in merger 1988.
59	**Crucible Steel**	14,570	Based on Colt Industries shares received in exchange when merged 1968.
60	**Southern Pacific**	14,460	Based on Santa Fe Southern Pacific shares received when merged 1983.
61	**American Smelting & Refining**/Asarco	14,403	Name changed 1975.
62	**Lackawanna Steel**	14,379	Based on Bethlehem Steel stock received in exchange when acquired 1922.
63	**US Rubber**/Uniroyal	13,906	Name changed 1967; taken private 1985.
64	**Chile Copper**	12,881	Based on Anaconda shares received in exchange when acquired 1929.
65	**BF Goodrich**	11,744	
66	**American Telephone & Telegraph**	11,115	Based on shares received in 8 companies on 1984 divestiture.
67	**Greene Cananea Copper**	11,031	Based on Anaconda shares received in exchange when acquired 1929.
68	**Youngstown Sheet & Tube**	10,413	Price based on 1917 average; bought by LTV 1978.
69	**First National City Bank of NY**/Citicorp	9,958	Name changed 1974.
70	**American Agricultural & Chemical**	9,571	Based on Continental Oil preferred shares received when acquired 1963.
71	**Armour & Co**	9,234	Investment started 1925; merged into Greyhound 1970.
72	**Northern States Power**	7,841	
73	**Phelps Dodge**	7,427	
74	**American Locomotive**	6,523	Based on cash value of 1975 liquidation.
75	**Cudahy**	5,838	Price based on 1917 average; shares bought for cash by General Host 1972.
76	**International Mercantile Marine**	5,750	Based on US Lines stock received in exchange when acquired 1943.
77	**Pittsburgh Coal**	5,711	Based on shares received in 1966 liquidation.
78	**Central Leather**	5,466	Based on cash value of liquidation rights 1953.
79	**WR Grace**	4,919	Investment started 1949.
80	**Anaconda**	4,868	Based on Atlantic Richfield stock received in exchange when acquired 1977.
81	**Singer**	4,657	Investment started 1913; includes shares received in 3 distributions.
82	**Inland Steel**	4,438	
83	**US Steel**/USX-US Steel; USX-Marathon	3,776	Name changed 1986; split into two corporations 1991.
84	**Midvale Steel & Ordnance**	3,352	Based on Bethlehem Steel and Midvale stock received when acquired 1923.
85	**Great Northern Iron Ore Properties**	2,519	Price based on December 1917 average.
86	**Bethlehem Steel**	2,297	
87	**Lehigh Coal & Navigation**	2,216	Liquidated 1969.
88	**Wilson & Co**	1,673	Based on LTV stock received in exchange when acquired 1967.
89	**Cambria Steel**	1,608	Price based on 1917 average; based on Bethlehem Steel stock received 1923.
90	**International Harvester**/Navistar Intl	1,056	Price based on December 1917 average; name changed 1986.
91	**Chase National Bank**	694	Based on Chase Manhattan stock received in exchange when acquired 1955.
92	**Baldwin Locomotive Works**	536	Based on Armour & Co stock received in exchange when acquired 1965.
93	**New York Central**	107	Based on Penn Central stock received in exchange when acquired 1968.
94	**Pennsylvania RR**	62	Based on Penn Central stock received in exchange when acquired 1968.
95	**Republic Steel**	29	Based on LTV stock received in exchange when acquired 1984.
96	**Colorado Fuel & Iron**	—	Worthless in 1935.
97	**Consolidation Coal**	—	Worthless in 1932.
98	**Cuba Cane Sugar**	—	Worthless in 1930.
99	**Studebaker**	—	Worthless in 1935.
100	**Willys-Overland**	—	Worthless in 1936.

Long scorned by Wall Street, investment letters have produced advice that is, on average, at least as good as that of the establishment. Mark Hulbert and his computers have established this beyond reasonable doubt.

The anomalists

By Peter Brimelow

SHORTS AND T SHIRTS are the summer dress code at the *Hulbert Financial Digest*'s offices in the quaint Old Town district of Alexandria, Va. But as Mark Hulbert's seven-person staff straggle out of the hazy morning sun into the Victorian town house where he lives and works, the *HFD* editor and FORBES columnist has been tapping away at his computer keyboard for hours. And the cheerful greetings that he calls out from his screen come with a burst of instructions for the day.

Any casual appearance is strictly superficial at the *HFD*. Its monthly monitoring of investment letter performance—currently Hulbert follows about 130 letters that recommend more than 375 separate portfolios—requires relentless discipline, exhaustive attention to detail and cavernous computer capacity. Plus, Mark Hulbert is the compleat small businessman, handling everything from advertising to subscriber zip codes with no visible strain apart from a periodic gentle moaning about not getting more done.

The reward for all this effort: Hulbert has just completed his twelfth year in business. Subscriptions ($135 annually) are close to a record at 14,000. His monitoring has now shown conclusively that the much-maligned investment letter industry actually delivers advice that on average is as good as that delivered by Wall Street *(see table, pp. 448-49)*. And, because investment letters are extraordinarily varied and flexible in their techniques, Hulbert's comprehensive study of their results is enabling him to form an answer to the great riddle of financial markets: Can they be beaten—and how?

"About a fifth of the investment letter universe appears to beat the market over the long term," says Hulbert, pointing out that less than 20% of all mutual funds outperform the market. Says he: "Over the last ten years FORBES' mutual fund database shows that the Vanguard Index 500 outperformed 81% of all equity mutual funds."

When Hulbert began monitoring investment letters, checking prices in the Securities & Exchange Commission's library and blistering his fingers working out portfolio performance on a desk calculator, academic thinking about financial markets was dominated by the "Efficient Market Hypothesis." This held that information was so quickly reflected in prices that no research could possibly find anything in time to buy or sell before the stock reacted. An index fund, reflecting the market as a whole, was essentially unbeatable.

"But academia has come a long way in the last few years," Hulbert notes benevolently. A younger generation of academics has begun to publish research, in places like the *Financial Analyst's Journal*, illustrating the existence of "anomalies" in the mar-

Hulbert Financial Digest's Mark Hulbert
Questing Quaker.

ket's overall efficiency. For example, a stock that is moving more strongly than stocks in general tends to carry on doing so. Theoretically, an efficient market should quickly spot and swamp this "relative strength." But in fact it does not.

The investment letter industry anticipated academe. Like plants growing in a wall, most successful letters turn out to be rooted in one or another of these anomalies. A process of natural selection operates: The computer revolution has made letters increasingly easy to produce (as well as monitor), so a myriad of them are always floating about trying new methods. And some work—at least for a while.

Hulbert's monitoring leads him to two further conclusions:

"Typically, about 40% of the letters seem to be able to add value through market timing," he says *(see table, p. 450, top)*. This is a particularly remarkable finding given the general bullishness of the last 12 years. By definition, market timers can at best match a rising market. They can add value only when the market goes down.

And a true bear market goes down

Twelve-year total return

Investment letter	Appreciation (1980-92)†
The Chartist Reclusive Editor Dan Sullivan uses proprietary version of relative strength method, plus adroit timing. Moderately active trader. Cautious about outlook for 1990s. Average of two portfolios, one of which reflects own actual account.	665.23%
****Noload Fund*X** (portfolio of "higher-quality growth" funds) Best of Editor Burton Berry's four mutual fund portfolios, designed for different risk preferences and selected by mechanical system based on previous year's record only. Average up 334%, this one boosted by exceptional 1985-86 performance.	632.60
Value Line Investment Survey First and most famous hole in Efficient Market Hypothesis, the long-established reference service's mixed fundamental-technical system attracted academic attention as far back as 1971. Triumphant over periodic (1983-84, 1988-89) wobbles.	620.69
The Zweig Forecast Former finance professor Marty Zweig has parlayed his hybrid fundamental-technical system into money management empire. Active trader favoring small stocks. Recent performance outpaced by own Zweig Fund, possibly because large following has forced him into more liquid issues.	608.69
The Dines Letter (Long-Term Growth Portfolio) Veteran goldbug James Dines still coasting on extraordinary burst of rapid trading in 1983. Three other portfolios, overall average gaining just 38.3%.	558.19
DJIA total return	**528.12**

†Through June 30, 1992

TAXING Q

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Using new applications of information technology, EDS is helping Chicago collect $420 million in unpaid parking tickets. In less than a year, annual ticket revenues have increased by 50%. Plus, **revenue has nearly doubled** from parking meter collections.

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EDS helped the city completely reengineer its parking program.

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Investment letter	Appreciation (1980-92)†
Value Line OTC Special Situations Service Editor Peter Shraga doesn't use sister service's rating system, trades relatively infrequently, uses fundamental analysis to select stocks, has periodically outpaced Dow. Strong 1991.	498.47%
S&P 500 total return	**479.03**
Wilshire 5000 total return	**432.67**
The Prudent Speculator Editor Al Frank's combination of fundamental analysis and maximum margin outpaced the market for long stretches, survived being fully invested in 1987 crash. Model portfolio reflects own actual account.	428.86
Dow Theory Forecasts (Investment List) Old established service, traditional fundamental stock picker, no market timing despite name. Five portfolios, some much weaker, average up 280.1%	419.48
Growth Stock Outlook Veteran Editor Charles Allmon favors intense fundamental research, small companies. After outpacing market until 1986, has stood aside expecting major collapse. Still beats market on risk-adjusted basis.	417.41
Treasury bill portfolio	**141.00**

†Through June 30, 1992.

Mark Hulbert has followed 33 portfolios since 1980, of which 6 are ahead of the broad market (counting reinvested dividends). That compares well with the mutual fund industry's record.

for several consecutive years. "Contrary to the general impression, that's when investment letters should come into their own," says Hulbert. "Not just for market timing, but also for stock selection, because of Wall Street's institutional bias against sell signals." (Sell signals annoy underwriting clients and depress customers—and commissions.)

Hulbert's second conclusion: The asset allocation decision is more crucial than is generally recognized. "The stock market can be beaten, but it's hard," he says. "And it can't be beaten by much in any consistent way. The top 12-year performers outpaced it only by about five percentage points a year on average. But most people aren't going to put all their money in stocks. And the effect of having your portfolio slightly more weighted to cash, or bonds, or gold is vastly more powerful."

The investment letter industry in its blind, groping way has sensed this. Recently, increasing numbers of letters have begun offering systematic asset allocation advice. Hulbert's evidence is still fragmentary *(see table, p. 450, bottom)*. But it seems to suggest

UESTION:

evenue other than taxes?

Now, hand-held computers are used to record and print out tickets on the spot. The information is automatically uploaded to a central computer, resulting in a **faster collection process.**

A computer mapping system helps locate and solve parking problems, dramatically improving traffic flow. Conveniently located hearing centers use imaging technology so citizens can resolve violations faster—by phone, mail or in person. **No more long waits** in traffic court. And, the city is providing citizens a valuable service.

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TAKE ADVANTAGE OF CHANGE℠

Twelve-year timing-only results

Investment letter	Appreciation (1980-92)†
Telephone Switch Newsletter (equity/cash timing model)	523.53%
Bob Nurock's Advisory (Technical Market Index, 100% cash on sell signals)	499.86
Market Logic (recommended exposure to stock market)	478.17
Professional Timing Service (Supply/Demand Formula, no shorting)	436.54
Elliott Wave Theorist (Investors: 100% cash on sells)	433.98
Wilshire 5000 value-weighted total return index	**432.68**
Value Line Investment Survey (market timing model, no shorting)	395.23
Dow Theory Letters (grading of primary trend, 100% cash on sells)	344.24
Dines Letter (100% cash on short-term sells)	339.29
Granville Market Letter (100% cash on sell signals)	329.79
Bob Nurock's Advisory (Technical Market Index, 100% short on sells)	265.36
Professional Tape Reader (mutual fund timing model)	238.89
Treasury bill portfolio	**159.54**

†Through June 30, 1992

Hulbert's record from 1980 for 11 market-timing portfolios, switching between cash and the Wilshire total return index. As usual, they do better than stock pickers.

that the chances of beating a strategy of equal division between the main markets are even better than timing the stock market, he says.

Hulbert's answer to the riddle of the investment markets: Yes, they can be beaten. But how? The answer here is surprisingly open. "Almost any method seems to work in the right hands," Hulbert says. Some successful letters trade actively, like Martin Zweig's *Zweig Forecast*; others infrequently, like Jim McCamant's *Medical Technology Stock Letter*. Some study company balance sheets and earnings statements, like Tom Bishop's *BI Research*; others focus on price action, like Dan Sullivan's *The Chartist*. There is no successful astrology letter, but Robert Prechter's *Elliott Wave Theorist* is based on an esoteric numerology system.

Asset allocation 3.5-year results

Investment letter	Appreciation (1989-92)†
FXC Report	46.98%
Donoghue's Moneyletter—Venturesome Portfolio	43.08
Standard & Poor's Outlook	42.24
Mutual Fund Letter—All Weather Portfolio	41.37
Investech Mutual Fund Advisor	40.03
Peter Dag Investment Letter	37.05
Kinsman's Telephone Growth & Income Service—Mutual Funds Portfolio	31.54
Garside Forecast—Aggressive Fund Switchers	31.45
Fund Exchange—Aggressive Balanced Portfolio	30.85
Fund Exchange—Conservative Balanced Portfolio	29.98
Stock-Bond-Gold-Cash Composite	**28.88**
Harry Browne's Special Reports—Permanent Portfolio	27.44
Growth Fund Guide	25.82
Garside Forecast—Total Return Fund Switchers	17.80
Buy and hold in stocks	**60.28**
Buy and hold in bonds	**46.30**
Treasury bill portfolio	**25.19**
Buy and hold in gold	**-16.27**

† Through June 30, 1992

A clear majority of the 13 asset-allocation portfolios beat a strategy that equally divided assets among stocks, bonds, gold and cash—the real-world dilemma that most investors face.

Unfortunately, in the wrong hands every method can also fail.

Hulbert argues, and some academics concur, that superior advisory performance tends to persist. But one year's performance could be just blind luck. A record of some years is needed. "It starts to become clear between about three to five years," he says *(see table, p. 454)*. Still, he thinks he can spot some winners who've just begun. New letters that have attracted his attention: John Hussman's *Hussman Econometrics*; Dan Sullivan's *The Chartist Mutual Fund Timer*.

"I look for particularly strong performance without wild volatility," Hulbert says. "And there are some subjective factors I hate to make public—like intellectual honesty."

"I am a Quaker," reads a sign in Hulbert's office, "in case of emergency, please be quiet." He takes his pacifism seriously—he is a vegetarian on ethical grounds—but his profession can't help much. Investment letter editors are notoriously unpacific when their records are exposed. The *Dines Letter*'s James Dines, who is particularly vulnerable to objective monitoring, was recently quoted in the *New York Times* denouncing Hulbert as "a little jerk." (He is actually 6 foot 2.) Some editors have even tried legal assaults. All such suits have failed.

In fact, in his pacific way, Hulbert is embroiled in quite a controversy on the Quaker front, too. He may still look like a student radical—and his bookshelves still bulge with the Hegel and Marx that fascinated him at Haverford and Oxford—but he now regards himself as a libertarian. And, with others, he is working to reduce the hostility some Quaker organizations have recently shown to capitalism, causing Quakerism to be widely regarded as just another feather in the

liberal wing of the Democratic Party, and return it to what he argues are its free market, private property origins.

"Many of the original Quakers were successful businessmen," he points out.

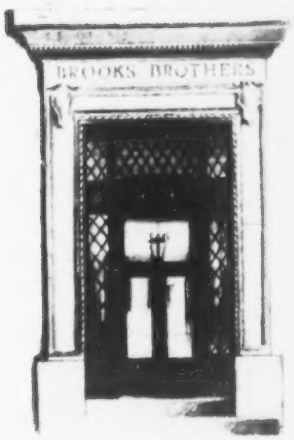
At 36, Hulbert is still a bachelor. But his staff is speculating about his latest girlfriend. A graduate of Harvard Law School, she's possibly the only other Kansas-born vegetarian Quaker in the world. ■

Five-year total return

Investment letter	Appreciation (1987-92)‡
BI Research	211.92%
OTC Insight*†	170.34
MPT Review*	163.09
The Chartist*	98.18
Medical Technology Stock Letter*	96.89
Investment Quality Trends	90.50
Systems and Forecasts*	89.79
Value Line Convertibles	89.66
Fidelity Monitor*	87.71
Zweig Performance Ratings Report	84.87
The Zweig Forecast	82.71
The Value Line OTC Special Situations Service	80.79
The Big Picture*	66.98
Switch Fund Timing*	64.56
Fundline*	63.08
Mutual Fund Forecaster	60.56
DJIA total return	**60.23**
S&P 500 total return	**58.96**
Wilshire 5000 total return	**54.50**
Investech Mutual Fund Advisor	52.92
Investors Intelligence*	52.84
The Mutual Fund Strategist*	50.01
The Investment Reporter*	49.15
Value Line Investment Survey	48.90
Dessauer's Journal	47.60
New Issues	47.59
United Mutual Fund Selector*	45.66
Fund Exchange*	43.65
Personal Finance*	42.97
Investech Market Analyst	42.54
Growth Stock Outlook	41.80
California Technology Stock Letter	41.53
The Peter Dag Investment Letter*	40.20
The Mutual Fund Letter*	39.87
The No-Load Fund Investor*	38.58
The Marketarian Letter*	35.71
Investment Horizons	34.07
The Insiders	32.81
The Professional Tape Reader*	30.73
Mutual Fund Investing*	30.49
Treasury bill portfolio	**28.00**

* Average of several portfolios. † Performance over 4 years, 11 months. ‡Through June 30, 1992.

Sixteen of the 78 letters (and 43 of the 151 portfolios) on which Hulbert has data for the last five years have beaten the market. Will some turn out to be investment superstars?



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THE FORBES/BARRA WALL STREET REVIEW

BY ERIC S. HARDY

Equity investors have enjoyed one of the nicest rides ever during the bull market that started ten years ago, on Aug. 17, 1982. The S&P 500, which over most of this century has averaged a compound annual total return of only 10%, averaged 19% a year during the past decade. But the momentum and enthusiasm of a few years ago has fallen off dramatically.

Does this mean the bull market is over? Al Frank, whose *Prudent Speculator* newsletter ranked among the best during the past 12 years *(see p. 449)*, concedes it's a lot harder to pick winners than it was in the 1980s. "But there are always some good buys out there," he adds. Frank's small list of picks is composed mostly of small companies like Quantum, which manufactures computer disk drives, and Raymond James Financial, a stock brokerage in Florida. In addition, Frank likes Boeing, which trades at only eight times earnings.

Special focus

Few companies have paid dividends consecutively for a century or more; most are banks, utilities or insurance firms. Bank of New York, which has the longest consecutive payout, hasn't missed an annual dividend since 1785. Excluding financial companies and utilities, these ten firms have the longest histories of uninterrupted payouts.

Old faithfuls

Company	Dividend since
Stanley Works	1877
Corning	1881
Affiliated Publications	1882
Exxon	1882
Carter-Wallace	1883
Eli Lilly	1885
Allied-Signal	1887
Procter & Gamble	1891
Times Mirror	1892
Westvaco	1892

Source: Standard & Poor's Stock Guide

The overall market

Closeup on the market

Index or investment	2-week change	% change from 1 year	% change from 5-year high
Barra All-US index	-0.6%	7.2%	-3.0%
S&P/Barra Growth index	0.1	9.2	-3.0
S&P/Barra Value index	-0.8	10.8	-2.2
Dow Jones industrials	-1.1	9.9	-3.2
S&P 500	-0.6	6.9	-1.6
NYSE	-0.5	7.5	-1.4
Nasdaq	-1.1	9.6	-11.9
Amex	-1.0	4.8	-7.9
EAFE	-1.8	-12.4	-30.3
CRB index	-1.5	-4.4	-26.4
Gold	-3.3	-4.8	-32.8
Yen	-0.9	-8.4	-22.9
Oil	-1.9	-2.2	-47.9

The best and worst performing stocks[5]

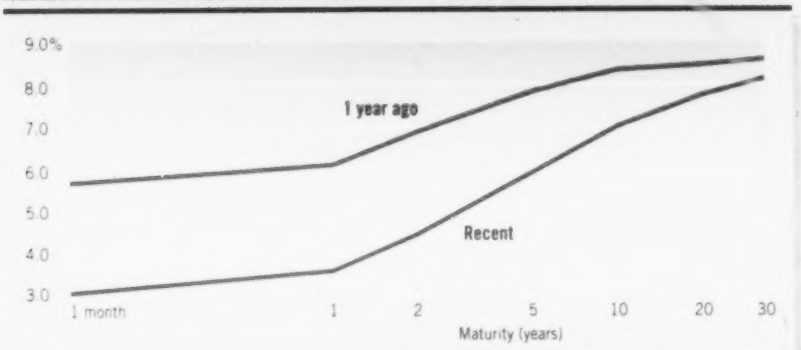
Best	Price	2-week change	1992 EPS[7]	Worst	Price	2-week change	1992 EPS[7]
American Biodyne	20 ½	30%	$0.73	Presley Cos	3⅛	-47%	$0.53
AdvaCare	10	27	0.27	Radius	6¼	-42	0.67
BE Aerospace	13 ½	25	1.09	Intl Murex Technologies	8⅛	-38	NA
Rochester Comm Svg Bk	9 ½	24	0.50	SyStemix	22	-38	-1.69
Home Nutritional Svcs	14 ⅛	23	1.07	Plains Resources	9¼	-35	0.09

The best and worst performing industry factors[6,8]

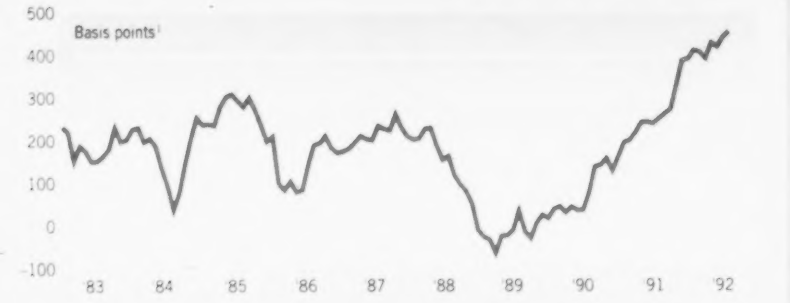
Best	2-week change	Since 12/31/91	Worst	2-week change	Since 12/31/91
Oilfield services	6.2%	10.3%	Precious metals	-9.4%	-4.6%
International oil	2.2	3.0	Real estate	-8.0	-18.2
Beverages	1.7	15.0	Oil refining, distribution	-6.3	-8.3
Retail	1.7	3.7	Business machines	-4.8	-3.9
Photographic, optical	1.2	-4.7	Iron & steel	-4.2	3.1

Note: Data for period ending 8/20/92. The Barra All-US index consists of all publicly traded common stocks for which price quotations are available and ordinary shares of foreign stocks trading on U.S. markets. ADRs, REITs and closed-end funds are excluded. [5] Total return of a portfolio of more than 150 large-capitalization stocks that has high historical earnings growth and has predicted above average earnings growth. [6] Total return of more than 300 large-capitalization stocks characterized by low price to book ratios, high yields and low price-to-earnings ratios. [8] A dollar-denominated capitalization-weighted index of more than 1,000 stocks from Europe, Australia, New Zealand and the Far East. Source: Morgan Stanley Capital International Perspective. [9] Index of 21 commodity futures. Knight-Ridder Financial information. [7] During the last two weeks. Estimate Source: Institutional Brokers Estimate System, from IBES, Inc. [8] Shows return to the industry factor after controlling for other influences, including company size, value and growth characteristics. Multi-industry firms have proportional contributions in two or more groups. NA: Not available. Principal source: Barra, Inc., Berkeley, Calif.

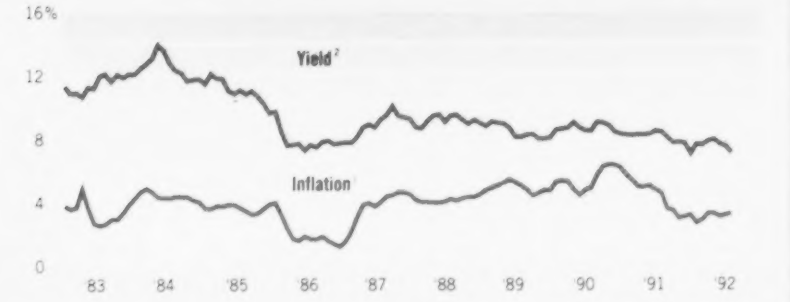
Yield curve



30-year rate minus 1-year rate



Yield vs. inflation



Spread over Treasurys

Security	Basis points[1]
AA corporates	52
AAA industrials	40
Ginnie Maes	124
Junk corporates[4]	544
Municipals	238

Total returns

Security	1 year[6]	3 years[6,7]
AAA corporates	16.7%	11.1%
Ginnie Maes	13.2	11.5
Junk corporates[4]	22.9	12.9
Municipals[5]	13.7	9.8
Treasury bonds	15.1	10.3

Note: Except where footnoted, all information provided by Barra, Inc., Berkeley, Calif. [1]A basis point is equal to one-hundredth of a percentage point. [2]Yield on ten-year Treasurys. [3]The trailing 12-month increase in the Consumer Price Index. [4]Source: First Boston. [5]Source: Lehman Brothers. [6]Data through 7/31/92. [7]Annualized.

Bond buyers these days are surprisingly cavalier about the risk of default. For example, the spread between riskless U.S. Treasury paper and AAA-rated industrial bonds *(see below, left)* has fallen to a minuscule 0.4%. That is barely enough to compensate for the fact that the corporate bond is subject to state and local income taxes, while the Treasury is not.

Now throw in the fact that many corporate bonds are callable, while almost all Treasurys are not. The bottom line: The taxable buyer of a high-grade corporate bond often gets nothing to offset the risk that the bond will go into default.

There don't appear to be any bargains further down the quality scale, either. The spread between noncallable A-rated corporates and Treasurys is about 0.7% for a five-year maturity, according to the Salomon Brothers *Bond Market Roundup*.

A single A– rated firm such as GMAC (the captive finance arm of General Motors) still has relatively high coupon bonds outstanding that are trading near par. But the apparent bargains vanish on close inspection. The GMAC 7.85% of 1998, for example, sells at 101½ but is destined to be called in October at 100.8. The yield to call is below 4%.

Terran Miller, an analyst who follows the electric utility debt market for Merrill Lynch, points out that the highest-rated utility bonds (such as Tampa Electric and Northern States Power) still pay 70 basis points more than Treasurys do. The risk is fairly low. But then, few would have imagined two decades ago that then A-rated Public Service of New Hampshire would default on its unsecured debt obligations.

The weak economy raises risks of credit problems. "This is like a new depression. I've never seen this little worldwide [economic] activity before," says economist Sam Nakagama of Nakagama & Wallace, Inc. But this kind of gloom is bullish for Treasury holders. Nakagama expects the 30-year Treasury yield (currently 7.4%) to slip another 50 basis points or so this year.

Like a lot of popular superstitions, the so-called summer rally is just that—a superstition.

Fairy tales

BY DAVID DREMAN

David Dreman is managing director of Dreman Value Management, L.P., investment counsel, New York, and author of *The New Contrarian Investment Strategy*.

EXPERT OPINION was convinced that the market rallied every summer when B.C. Forbes published the first issue of this magazine back in 1917. Experts are equally convinced it occurs today. Recently, guru after guru has attributed the strong market of late July to the inevitable summer move, some stating it has become even more pronounced in recent years.

The 75th Anniversary Issue is an appropriate place to put this old chestnut to the test. And to rest.

Okay, how well have stocks done in the summer months over this long time span? To start with, let's look at how the rally is calculated. Generally speaking, the advocates measure the percentage difference between the market high and low in the summer quarter (ending Sept. 30) and take the difference as the summer rally. If the Dow, as a proxy for the market, for example, went up 12% from its lowest to its highest point in the quarter, this would be the rally.

Has anyone measured the summer gain and compared it with the percentage changes in the first, second and fourth quarters to see if it is the largest? Heck no. Why bother when the savants are convinced they already know the answer? So the myth of summer rallies flourishes.

Let's put it to a test. I examined the highs and lows of the Dow Jones industrial average for each quarter over the past 75 years. The next step was to calculate the percentage change for each of the 75 summer quarters and derive from them an average. The final step was to calculate percentage changes for the first, second and fourth quarters over these same three-quarters of a century.

Good-bye, myth.

As the table clearly shows, the summer rally exists only in the minds of true believers. Over the past 10-, 20- and 30-year periods, rather than being ahead, stocks showed the second-worst results in the summer quarter, lagging the first and fourth quarters in every period. Over the full 75 years of the study, the fourth-quarter move was significantly ahead of the third, which in turn was only marginally better than that of the second. To sum up, the summer rally, like Beta, the Efficient Market Hypothesis and scads of other Street theories, fades away when subjected to testing.

There is a lesson here for the intelligent investor. The myth of the summer rally shows how a popular idea can be accepted by thousands of experts over generations, with nary a one of them bothering to check if any evidence supports it. This magazine over the years has repeatedly questioned widely held beliefs, challenging the experts in the interests of saving big bucks for investors.

Next time a stockbroker advises you to buy stocks for a summer rally, tell him that when you want astrological advice you'll consult an astrologer.

And go back to buying stocks that offer good relative value. Like:

American International Group (93) is one of the best managed companies in the insurance industry. Earnings have increased at a 14% compound rate over the past decade and should be up about 8% in 1992. The stock trades at a P/E of 12 and yields 0.6%.

Apple Computer (43) has had wild price swings this year, as analysts have forecast the near-demise of the PC industry. Despite The Street's gloom, Apple's earnings should be up over 15% to a record high in 1992 (fiscal year ends Sept. 30), with a further gain likely in 1993. The stock trades at a P/E of 10 and yields 1.1%.

Woe to the computer company that misses Street estimates by even a smidgen. This happened recently to *Hewlett-Packard* (56), one of the leaders in instrumentation and smaller computer systems. With the announcement that earnings would be behind quarterly estimates, but up as much as 15% for the September quarter, the stock plunged almost 13 points in a single day. It appears cheap at a P/E of 15 and a yield of 1.4%.

Thiokol (15) is the sole supplier of rocket motor sets to the U.S. space agency NASA. The stock is priced on an almost liquidation basis, with a P/E of 5, at 3 times cash flow and a 15% discount to book value. Thiokol also has a strong balance sheet with long-term debt under 40% of capital structure. The stock yields 2.3%.

Piper, Jaffray (23) is a growing regional brokerage firm. Earnings for the first nine months of the current fiscal year (ending Sept. 30) were almost double 1991's, with income gains likely to continue. The stock trades at a P/E of 6, yielding 3%.

A study of the Dow on a quarterly basis over the past 75 years shows that hot weather does not an up market make.

Summer rally myth

Period[1]	1st[2]	2nd	3rd	4th
10 years (1982)	15.9%	10.9%	13.8%	17.4%
20 years (1972)	14.4	10.2	13.2	14.8
30 years (1962)	12.3	10.8	12.2	13.0
75 years (1917)	11.9	13.0	13.7	14.8

[1]Ended 1991. [2]Average difference between quarterly high and low.
Source: Dreman Value Management, L.P.